



BENEFITS BULLETIN

Published by the State of Kansas Employees Health Care Commission

October 2003

Health Plan Design Changes for 2004

Open Enrollment is just around the corner, and it is time once again to review your options for healthcare benefits. Choosing a health plan is an important decision. The same principles and methods that often apply to other life decisions such as buying a car, moving to a new location, or accepting a new job, should also apply to choosing a health plan. Study the plan offerings, talk to your co-workers about their experiences, consider your likely use of future health care, and decide which plan design best meets your needs. By making wise decisions we all benefit. Howard Fricke, Chair of the Health Care Commission (HCC) and Secretary of Administration, stated that "We want the participants in our health plan to be partners with the HCC in controlling cost and building the best possible health plan for Kansas' state employees."

As you look through the Health Plan Offerings for 2004 you will notice a variety of changes in the structure of benefits offered, especially in the Medical Plans. In addition to the state's continuing budget shortfall, renewal rates from the Medical Plan carriers came in seven percent to 17 percent higher than anticipated. Left unchanged, Medical Plan costs would have increased the state's contribution and participant premiums to an unacceptable level. As a result, the HCC has been working hard to bring you a plan design that allows participants to see the true cost of their choices.

The 2004 Medical Plan design applies the principles that have succeeded in the pharmacy benefit to the medical portion of the Health Plan benefit. The coinsurance principle has been applied to as many aspects of the plan as possible. Another important feature is that the state's contribution is based on the lowest cost HMO or PPO in order to encourage the selection of the most efficient plan. If members desire other coverage, they will pay the difference in cost rather than shifting this cost to the plan and its members.

Remember, the goal of this plan design is to assist all of us to become wise and careful consumers of health care, while preserving the coverage we all may need in the event of a serious illness or injury.

Did You Know

- The Kansas State Employees Group Health Insurance Plan costs is valued at more than \$300 Million, in premium, claims and administrative expenses.
- As of September 2003 the plan has approximately 88,800 covered lives including employees, retirees and eligible dependents.
- Over 94% of benefits eligible employees choose to enroll in the State employee plan.
- 84% of State of Kansas Active employees are eligible for an HMO in plan year 2003. This increases to 89% in plan year 2004 with the addition of Coventry in the Southeast part of the state.
- Current State of Kansas enrollment for active employees is:
51% in Kansas Choice, Kansas Prefer or PHSIC PPO
49% in HMOs – Coventry, Premier Blue, PPK
- Approximately, 51% of State of Kansas employees are enrolled in the voluntary vision coverage.
- More than 1.4 million prescriptions were filled for plan participants last year.
- About 7,200 employees take advantage of one or both of the Flexible Spending Accounts.

Dental Plan Provider Network Expanding

Delta Dental Plan of Kansas was awarded a three year contract and will continue to administer the dental plan for our group. Special efforts are underway to increase the size of the Delta Preferred Option (DPO) network in Kansas. Employees can contribute to the increase in the DPO network by encouraging their own dentists to become DPO providers. Starting in 2005, the dental benefit reimbursement schedule will change to lower out of pocket expenses for those participants using DPO providers. At the same time, out of pocket expenses for using non-DPO providers will increase. The use of DPO providers reduces expenses for both participants and the State of Kansas and, as importantly, it helps moderate the increase in cost of the dental benefit.

For the first time, participants will be able to use the national network of Delta Dental plan providers for all services. This means benefits will be paid at the DPO or Premier level for services provided by Delta dentists anywhere in the United States.

More good news is that the maximum amount payable for each person participating in the dental plan is going up to \$1,600 for Plan Year 2004. The deductible for major restorative work will be \$45 for one person to a maximum of \$135 for a family. Both of these changes are based on the experience of the Dental Plan. That is, they are indexed to keep pace with the increases in costs that result from participant utilization. Remember – benefits paid for treatment of a dental accident or for orthodontic work do not apply to your annual maximum for other covered services.

Committee Members Wanted

The Employee Advisory Committee of the Kansas State Employees Health Care Commission is looking for new members. The Committee consists of 21 individuals, 18 of which shall be actively employed by the state of Kansas and three of which shall be covered by a state health plan through the direct billing system due to their prior employment with the State, of which two of the three shall be retired and Medicare eligible. The terms are 3-year rolling positions to insure continuity of Committee projects and administration. Seven new members are being sought for vacating positions.

Members are selected on the basis of geographic location, agency, gender, age, and plan participation in order to assure that a balanced membership representing a broad range of employee and direct bill members interests are represented.

The EAC meets at least quarterly. Its main purpose is to study health plan related issues and make recommendations to the Commission. The process allows participant input into important health plan decisions by the HCC for the upcoming plan year(s).

To be considered for this committee, please write no later than November 3, 2003 to:

Division of Personnel Services
Attn: EAC, 900 SW Jackson, Room 901-N
Topeka, Kansas 66612-1251
Or e-mail: benefits@da.state.ks.us

Current Employee Advisory Committee Members:

Barbara Barto, PSU, Pittsburg
Dr. Merle Bolton, Retiree, Topeka
Mark Bradbury, KDHE, Wichita
Janet Claas, KUMC, Kansas City
Patricia Delmott, ESU, Emporia
Lyle Dixon, Retiree, Manhattan
Gary Doll, SRS, Hutchinson
Mike Jacobs, KDOT, Iola
Marjorie Knoll, DHR, Hays
Dwane Kratochvil, Dept. on Aging,
 Topeka
Douglas Musick, KSU - Secretary
Blythe Roberts, Corrections, Wichita
Sandy Russell, Div. of the Budget,
 Topeka
Dr. Elizabeth Saadi, KDHE, Topeka -
President
Carmen Sellens, Dept. on Aging,
 Topeka - Vice President
Jan Sides, Retiree, Topeka
Jerry Sloan, Judicial, Topeka
Harold Tillman, KHP, Topeka
Aneta Willson, KDHR, Salina
Susan Wileczek, Wildlife and Parks,
 Pratt

On Line Open Enrollment October 1 through October 31

Open Enrollment for group health insurance and flexible spending accounts will be held during the month of October for coverage beginning January 1, 2004. Eligible employees will complete the Open Enrollment process on line through the Employee Self Service Center.

Employees should go to the State Employee Services website and log into the Employee Self Service Center using their Employee ID and password. They should then click on Benefits Open Enrollment which will be available for use on October 1, 2003. The website is located at <http://www.accesskansas.org/employee/>.

Additional information concerning Open Enrollment is available at the Benefits Administration website, <http://da.state.ks.us/ps/benefits.htm>, or in the agency Human Resources Office.

Prescription Drug Plan Continues to Enhance Value of Your Health Plans

One of the most important benefits offered by employers is the health benefit plan, including the prescription drug benefit component. You can scarcely turn on a television without hearing a discussion about drug benefits, the rising costs of drugs and the improvement to life and health they can bring. The Kansas State Employees Prescription Drug Plan has continued its tradition of bringing you a quality, affordable and cost-effective pharmacy benefit. Consider the following points:

- Generic drug utilization by group participants has increased to nearly 43%. This is significant because of the savings realized by both participants and the state.
- The mail-order option provides you a convenient, cost and time saving way to obtain your medications.
- The ability to order prescription refills online.
- The availability of Disease Management programs such as for diabetes, coronary artery disease, and depression.
- The availability of Building Better Health online newsletter as well as the quarterly senior newsletter.
- Specialty Rx is available to participants who self-administer injected medications.

While these points are certainly good news there is room for improvement, and we are striving for improvement every day! To begin, the Health Care Commission encourages plan participants to take a more active part in making their health care decisions. To that end, there will be adjustments made to the prescription benefit plan. These adjustments index out-of-pocket expenditures to match the percent increase in overall costs, otherwise known as "trend". For prescription drugs, trend this year

has been running an average of 7.5%. What that means is drug costs are approximately 7.5% higher than they were last year.

The fixed dollar items that were indexed to account for inflation, will be adjusted upward for next year. The Special Case Medication copay will increase from \$70 to \$75 per 30-day supply. Some of the tier percentage coinsurance percentages will change as well. Generic drugs, which are the best value for your dollar, will remain at a 20% coinsurance level. Preferred brand drugs coinsurance will increase from 30% to 35%. The non-preferred brand drugs will increase from 50% to 60% coinsurance. The coinsurance maximum on generic, preferred (formulary) brand, and special case medications will increase from \$2,400 to \$2,580 per person per year to reflect this percentage increase in drug trend.

Vision Plan Update

The State of Kansas is again offering vision insurance through the Superior Vision Plan. Both the Basic and Enhanced levels of coverage will be available. The Basic plan will remain the same, however, the Enhanced plan will have three important changes for next year. The coverage for progressive lenses (no line bifocals) has been changed to a flat dollar amount of up to \$165. Also coverage has been added for high index and polycarbonate lenses up to \$116. Participants may use one of these three allowances for each pair of lenses covered under the Plan. These allowances cannot be stacked for the same pair of lenses.

For participant convenience, the Superior Vision network includes optometrists, ophthalmologists and optical outlet stores. We encourage all current and prospective participants to review the provider directory on the Superior Vision website for information on network providers.

Health Risk Appraisal

The 2003 Health Risk Appraisal Program concluded on July 31. A total of 19,531 eligible employees participated in a health screening and completed the HRA questionnaire. The program will be offered again during Plan Year 2004. Program administrators have met with the contractor, MOST Healthcare, and are developing a number of improvements for next year that should make the program simpler and more user friendly. For example, we hope to streamline the scheduling and testing processes, and to provide more than 20-minutes to complete the HRA Questionnaire as well as a verification statement after the questionnaire has been successfully completed.

A summary of some the key points of the results reveals the following statistics regarding 2003 participants:

- 82% are above their recommended weight range;
- 69% show a need to improve their nutrition;

- 61% have a moderate to high risk for coronary disease;
- 61% show a need for improved fitness; and
- 50% have cholesterol above recommended levels.

The HealthQuest Program will be focusing on providing educational materials and programs in these areas during the coming year so that motivated employees will be able to improve their health status.

In order to participate in the program next year and receive the \$5 semi-monthly health plan premium credit, employees again will need to make a program election during open enrollment in October, 2003. Employees who elected to participate during Plan Year 2003 but did not complete the program will not be eligible during Plan Year 2004.

Flexible Spending Account (FSA) Update

Flexible Spending Account (FSA) enrollment reached an all time high during Plan Year (PY)2003. KanElect is the name of the State of Kansas Cafeteria Benefits Plan. It allows employee premiums, unreimbursed health care expenses and dependent day care expenses to be paid with pretax dollars. An employee can have a significant impact on his or her tax liability by taking advantage of their program.

The KanElect program offers three benefit options:

•Pretax Premium Option – allows employees to pay for the cost of group health insurance coverage with pretax or after tax dollars.

•Health Care FSA – allows employees to use pretax money to pay for expenses allowed by the IRS but not reimbursed by medical, dental, prescription drug or vision insurance. **A recent Treasury and IRS announcement states that over-the-counter medicine and drugs purchased to treat an existing medical condition can be paid for with pre-tax dollars through HCFSAs. The ruling also specifically excludes vitamins and other dietary supplements for general health purposes from reimbursement.**

•Dependent Care FSA – allows employees to use pretax money to pay for day care expenses.

Participation for those currently enrolled will end on December 31, 2003. Continued participation in either the Health Care or Dependent Care or FSA during 2004 requires that employees make a new election to participate during Open Enrollment.

For PY 2004, the maximum annual deposit for a Health Care FSA will be \$3,168.00. Open Enrollment elections for 2004 FSA's will become effective on January 1, 2004. Reimbursable expenses will be paid only for those expenses incurred during PY 2004.

State of Kansas Employees Health Care Commission

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